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9 UNITED STATES DISTRICT COURT  
10 NORTHERN DISTRICT OF CALIFORNIA  
11 SAN JOSE DIVISION  
12

13 APPLIED MATERIALS, INC.,

14 Plaintiff,

15 vs.

16 DEMARAY LLC,

17 Defendant.  
18

) Case No. 5:20-cv-05676-EJD  
)

) **DEMARAY LLC'S OPPOSITION TO**  
) **APPLIED MATERIALS' MOTION FOR**  
) **PRELIMINARY INJUNCTION**  
)

) **Hearing Date: November 12, 2020**  
) **Hearing Time: 9:00 a.m.**  
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Defendant Demaray LLC (“Demaray”) opposes Plaintiff Applied Materials, Inc.’s (“Applied”) Motion for Preliminary Injunction for the reasons set forth below.

**I. PRELIMINARY STATEMENT**

In the early 2000s, Dr. Richard Ernest Demaray and his colleagues at Symmorphix, Inc. (“Symmorphix”) developed a new method of depositing thin films, and an associated reactor configuration, that could be used for a process called physical vapor deposition (“PVD”). These inventions turned out to be particularly advantageous for fabricating key thin film layers within semiconductor devices. They are protected by U.S. Patent Nos. 7,544,276 (“the ’276 patent”) and 7,381,657 (“the ’657 patent”) (the “Demaray patents”). Exs. 1-2.<sup>2</sup> Dr. Demaray later discovered that Intel and Samsung were using his patented technology, without authorization, to manufacture thin films in their semiconductor devices. This infringement is occurring within Samsung’s sole domestic semiconductor fabrication facility, which is located in the Western District of Texas—the same District where Intel also has a large facility and over 1,700 employees developing products using infringing methods. Demaray therefore brought suit in the Western District of Texas against Samsung and Intel (the “Texas cases”). The cases are assigned to Judge Albright, a knowledgeable jurist deeply familiar with patent issues, and are proceeding in an orderly fashion.

Rather than intervene in Texas, Applied filed this separate case here a month later. Applied asks this Court to (1) exercise subject matter jurisdiction over Applied’s claims and then (2) grant the extraordinary remedy of an injunction halting the earlier-filed Texas cases pending before another Article III judge. Applied invites the Court to engage in clear error, both substantively and procedurally, without either the facts or law needed to support the preliminary injunction it seeks.

Regarding subject matter jurisdiction, the sole alleged basis in Applied’s First Amended Complaint (“FAC”) for an actual controversy with Demaray is the filing of the Texas cases against Applied customers. But the mere filing of litigation by a patentee against a customer based on activities that involve the declaratory judgment plaintiff’s product does not create a case or controversy. *Microsoft v. DataTern*, 755 F.3d 899, 904 (Fed. Cir. 2014) (“To the extent that Appellees argue that DataTern’s suits against its customers automatically give rise to a case or

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<sup>2</sup> All exhibits are attached to the Declaration of C. Maclain Wells filed herewith.

1 controversy regarding induced infringement, we do not agree”). In this instance, Applied’s reactors  
2 standing alone are not accused of infringement in Texas. Instead, methods of thin film deposition in  
3 a reactor with a specific configuration used by Intel and Samsung, and that specific reactor  
4 configuration, are accused. There is no allegation in Texas (or in this case) that Applied provides  
5 the special reactor configuration to Intel or Samsung or encourages its use, or that Applied’s  
6 reactors standing alone have no substantial non-infringing uses. On these facts, controlling Federal  
7 Circuit precedent provides that no jurisdiction exists. *Id.*, at 906.

8       Regarding the requested injunction, Applied argues that: (1) its licensing/ownership  
9 declaratory judgment claims will be dispositive of the claims in Texas, and (2) the Texas actions are  
10 mere “customer suits” and its non-infringement declaratory judgment claims will thus resolve the  
11 major issues in Texas actions. Mot. at 2. Applied is doubly incorrect.

12       First, Applied has no legitimate basis for asserting that it owns or is licensed to use the  
13 Demaray patents. Applied’s assertions to that effect all rely on Applied or Applied Komatsu  
14 employee agreement assignment provisions. Applied fails to mention that Judge Ware already ruled  
15 that the assignment provisions underlying each of Applied’s licensing/ownership claims are  
16 “unlawful non-compete provisions” and void as a matter of public policy. *See Applied Materials,*  
17 *Inc. v. Advanced Micro-Fabrication Equip., Inc.*, 630 F. Supp. 2d 1084, 1090 (N.D. Cal. May 20,  
18 2009). Applied’s reliance on provisions already adjudicated against it to be unlawful weighs heavily  
19 against the extraordinary relief it now seeks.

20       Second, the Texas actions are not mere “customer suits” addressing simple resale by the  
21 Texas defendants of Applied products. The Texas cases concern particular uses by the Texas  
22 defendants of manufacturing equipment those defendants have configured in a specific manner to  
23 make their own semiconductor products. The Texas cases involve multiple major disputes between  
24 Demaray and the Texas defendants that are not at issue here, including (i) infringement of reactors  
25 as configured by the Texas defendants, (ii) infringement of Demaray’s process claims by the Texas  
26 defendants, (iii) invalidity allegations, (iv) unenforceability arguments, and (v) damages issues  
27 addressing the Texas defendants’ sale of billions of dollars of semiconductor products produced  
28 using the claimed processes. As such, even if Applied’s declaratory judgment claims were resolved

1 in this third-filed action, that would leave unanswered fundamental questions at issue in Texas.

2 For the foregoing reasons, as discussed in greater detail below, Applied's request for the  
3 extraordinary remedy of an order enjoining the earlier-filed Texas cases should be denied.

## 4 **II. SUMMARY OF FACTS**

5 Dr. Demaray, a named inventor on both of the Demaray patents, has been working in and  
6 with the semiconductor industry for more than forty years. Declaration of Dr. Richard E. Demaray  
7 ("Demaray Decl."), ¶ 2. Much of this work has focused on novel thin film technologies. *Id.*, ¶ 3.

8 In the late 1990s, Dr. Demaray helped form Applied Komatsu Technology, Inc. ("Applied  
9 Komatsu"), a joint venture between Applied and Komatsu Ltd. *Id.*, ¶ 4. In 1998, Applied Komatsu  
10 decided to "discontinue sales of PVD systems." Ex. 3. As part of this shift, Applied Komatsu  
11 executed a "reduction in AKT's workforce" that included Dr. Demaray and others. *See* Dkt. 14-07,  
12 Ex. F, ¶ 9.

13 To continue making new developments in thin film technologies, Dr. Demaray formed  
14 Symmorphix shortly thereafter. Demaray Decl., ¶ 5. Given restrictive covenants in Applied  
15 Komatsu's employment agreements, among other issues, Dr. Demaray approached Applied  
16 Komatsu with his plans. *Id.*, ¶ 6. Symmorphix and Applied Komatsu entered into the Sales and  
17 Relationship Agreement on December 11, 1998. *See* Dkt. 14-07, Ex. F (partial copy of the  
18 agreement). Applied Komatsu agreed to release Dr. Demaray and other former AKTA employees  
19 joining Symmorphix from broad restrictive covenants in their employment agreements that may  
20 otherwise prevent them from working the field:

21 Notwithstanding the presumption, contained within those certain written  
22 agreements with AKTA, that AKTA owns all inventions disclosed by AKTA  
23 employees and related to the work done for AKTA after leaving employment, the  
24 parties hereto agree that ... AKTA does not own and shall not claim any right  
(other than the license grant to AKTA detailed in Section 3 ... to intellectual  
property developed by Symmorphix on or after January 1, 1999.

25 *Id.* (internal Ex. C, ¶ 4). The parties confirmed this release verbatim in a January 29, 1999  
26 amendment to the agreement. *Id.* (internal Amended Ex. C, ¶ 4).

27 On March 16, 2002, two and a half years after Dr. Demaray left Applied Komatsu, Dr.  
28 Demaray and three other Symmorphix employees filed the application leading to the Demaray

1 patents reflecting innovations in advanced thin film deposition that they developed at Symmorphix.  
2 Demaray Decl. ¶ 7. The patents generally relate to methods of depositing thin films, for example in  
3 semiconductor devices, by pulsed DC reactive sputtering using “a pulsed DC power supply coupled  
4 to the target” and “an RF bias power supply coupled to the substrate.” *See* Ex. 1, claim 1. They  
5 describe and claim the use of “a narrow band-rejection filter that rejects at a frequency of the RF  
6 bias power supply coupled between the pulsed DC power supply and the target area.” *Id.* The  
7 narrow band rejection filter allows the power sources to properly function, but prevents damaging  
8 feedback to the pulsed DC power source from the RF bias. *See id.*, 1:49-51.

9 Dr. Demaray later discovered that Intel and Samsung were using his patented technology,  
10 without authorization, to manufacture thin films in electronic devices. Demaray Decl. ¶ 11. These  
11 semiconductor products consist almost entirely of layer-upon-layer of thin films engineered and  
12 processed to create billions of interconnected transistors that together form microprocessors,  
13 memories or other semiconductor devices. *Id.* Demaray therefore filed patent infringement suits  
14 against Intel and Samsung in the Western District of Texas. Dkt. 13, Exs. A and B.

15 The named defendants in the Samsung suit include Samsung Austin Semiconductor, which  
16 operates the semiconductor fabrication plant known as the “S2-Line” in the Western District of  
17 Texas, where it uses manufacturing processes pertinent to the Texas actions. Ex. 4. Intel likewise  
18 has a significant presence in the Western District of Texas maintaining an “Austin facility is a  
19 research and development center for more than 1,700 employees.” Ex. 5. Though not a party to the  
20 Texas actions, Applied has two facilities for manufacturing and research in Austin, Texas  
21 employing over 1,800 people. Exs. 6-7.

22 Because the Demaray patents concern methods of depositing high quality thin films in  
23 products by using particular PVD reactor configurations, and are not directed at general PVD  
24 reactors standing alone, Applied is not a defendant in the Texas cases. Intel and Samsung actually  
25 use the claimed methods and determine the processes used to deposit thin films in their  
26 semiconductor fabrication plants, having made the choice to use the claimed pulsed DC power  
27 supply coupled to the target, RF bias on the substrate and a narrow band rejection filter as set forth  
28 in the Demaray patent claims. Applied’s reactors standing alone, in contrast, have many potential

1 non-infringing configurations and Applied has not alleged that it recommends or configures its  
 2 PVD reactors as required by the claims. Demaray has accordingly never approached Applied about  
 3 licensing the Demaray patents or accused Applied of infringement. Demaray Decl. ¶ 12.

### 4 **III. DISCUSSION**

#### 5 **A. The Court Lacks Subject Matter Jurisdiction Over Applied's Claims**

6 As a threshold issue, Applied's FAC fails to state a proper basis for its declaratory judgment  
 7 claims. "[W]hen ruling on a motion for a preliminary injunction, this Court must consider whether  
 8 it has subject matter jurisdiction ...." *Native Fed'n of the Madre De Dios River & Tributaries v.*  
 9 *Bozovich Timber Prods.*, 491 F. Supp. 2d 1174, 1180 (2007). The party alleging jurisdiction bears  
 10 the burden of showing an "actual controversy" warranting issuance of a declaratory judgment.  
 11 *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1120 (N.D. Cal. 2007). In the patent  
 12 context, "an actual controversy requires 'an affirmative act' by the patentee related to the  
 13 enforcement of his patent rights." *Ass'n for Molecular Pathology v. U.S. Patent & Trademark*  
 14 *Office*, 689 F.3d 1303, 1318 (Fed. Cir. 2012). Contrary to Applied's assertions, merely filing a  
 15 litigation by a patentee against a customer based on activities that involve the declaratory judgment  
 16 plaintiff's product does not create a case or controversy. *See DataTern*, 755 F.3d at 904.

17 Applied does not contend that it anticipates any legal action from Demaray. Instead,  
 18 Applied argues that it perceives "a cloud over Applied's business" (Mot. at 4) and has "come to  
 19 the aid of its customers" (*id.* at 2) because of the Texas cases. "[D]eclaratory judgment jurisdiction  
 20 will not arise merely on the basis that a party learns of the existence of an adversely held patent, or  
 21 even perceives that such a patent poses a risk of infringement, in the absence of some affirmative  
 22 act by the patentee." *Ass'n for Molecular Pathology*, 689 F.3d at 1319. Here, the required element  
 23 of an affirmative act by Demaray directed at Applied is missing.

24 The Texas cases do not constitute an "immediate injury or threat of injury" to Applied.  
 25 Demaray never approached Applied regarding a license to the Demaray patents and did not include  
 26 Applied as a defendant in the Texas cases. Demaray Decl., ¶ 12; Dkt. 13, Exs. A-B. Nor did  
 27 Demaray accuse Applied PVD reactors standing alone of infringement in the Texas cases—  
 28 Demaray accused particular reactor configurations, and methods of depositing thin films using

1 them, of infringement in the Texas cases: “***Intel configures RMS reactors***, including, but not  
 2 limited to reactors in the Endura product line from Applied Materials, Inc. ....” See Dkt. 13, Ex. A,  
 3 ¶25, Ex. B, ¶ 28 (“***Samsung configures RMS reactors***, including, but not limited to reactors in the  
 4 Endura product line from Applied Materials, Inc. ....”). In particular, Intel’s and Samsung’s use of a  
 5 pulsed DC power supply coupled to the target, RF bias on the substrate and a narrow band rejection  
 6 filter to deposit high quality thin films in its semiconductor devices is accused. *Id.* The Applied  
 7 Endura reactors are merely examples of a PVD reactor configurable by third parties in an infringing  
 8 manner. This is not a case where one entity makes an infringing product, and its customers are then  
 9 sued for nothing more than purchasing and using it in the only way possible.

10 In its FAC, Applied argues that the Texas complaints gave rise to a controversy “as to  
 11 whether Applied and/or Applied’s products are infringing or have infringed the Asserted Patents.”  
 12 FAC, ¶ 12. Applied’s FAC, however, contains no factual support for that conclusory assertion.  
 13 Applied offers excerpts from the Texas pleadings, but selectively omits that what is accused are  
 14 the ***specific configurations used by Intel and Samsung***. See FAC, ¶ 45 (Count 1), ¶ 50 (Count 2):

15 Applied’s FAC ¶ 45 (see also ¶ 50)	Demaray Intel Complaint ¶ 25 (Dkt. 13, Ex. A ¶25, Ex. B, ¶ 28)
16 “... in its complaints against both the Intel and 17 Samsung Defendants, Demaray accuses the 18 Defendants’ use of ‘RMS reactors’ from ‘the Endura product line from Applied Materials, Inc.’”	“ <b><i>Intel configures RMS reactors</i></b> , including, but not limited to reactors in the Endura product line from Applied Materials, Inc. (“Applied Materials”) for deposition of layers ... in its semiconductor products.”

19 Applied then adopts its mischaracterization for the remaining Counts 3-5 regarding its  
 20 licensing/ownership claims. *Id.*, ¶¶ 54, 58, 62. Conclusory pleadings based on misquotations of the  
 21 factual record do not create a justiciable controversy.

22 Applied also relies on citation to Applied product literature in the Texas cases. See FAC ¶¶  
 23 47, 52. But those citations also fail to show what Applied argues. Importantly, for example,  
 24 Demaray does not cite Applied product literature to show that Intel and Samsung have chosen to  
 25 configure their PVD reactors to use a narrow band rejection filter to prevent damaging feedback to  
 26 the pulsed DC power source for the RF bias on the substrate. See Dkt. 13, Ex. A, ¶¶ 39-40, 57, Ex.  
 27 B, ¶¶ 42-43, 59. To the contrary, Applied contends that its Endura PVD reactors “***do not*** comprise  
 28 ‘providing pulsed DC power to the target through a narrow band rejection filter ....’ FAC, ¶¶ 47,

52. According to Applied itself, therefore, the direct infringement allegations in the Texas complaints are directed squarely at Intel and Samsung, not Applied.<sup>3</sup>

Nor are there any assertions in the Texas complaints that Applied indirectly infringes the Demaray patents. Demaray acknowledges that Applied reactors standing alone have many non-infringing configurations (Demaray Decl. ¶ 12) and Applied makes no allegation whatsoever, in its FAC or its motion, that it is responsible for configuration of the Intel and Samsung PVD reactors accused in the Texas cases. Instead, Applied affirmatively asserts that has **not** “caused, directed, requested, or facilitated any [] infringement, much less with specific intent to do so.” FAC, ¶ 27.

The Federal Circuit’s reasoning in *DataTern* is on point. *DataTern* considered a complaint brought by two suppliers after the patentee filed suit against the suppliers’ customers in Texas. The Court held that the plaintiff did not “have a right to bring the declaratory judgment action solely because their customers have been sued for direct infringement.” *Id.*, at 904. Instead, a “supplier has standing to commence a declaratory judgment action *if* ... there is a controversy between the patentee and the supplier as to the supplier’s liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers.” *Id.*

In *Datatern*, the patent owner provided two groupings of claim charts on which the alleged controversy was based, one group in which the patent owner relied of supplier “provided user guides and documentation for each claim element,” and a second group where the infringement allegations did not rely upon supplier documentation for “key claim limitations.” *Id.* The court found an adequate controversy existed as to the first group because the “claim charts show that SAP provides its customers with the **necessary** components to infringe.” *Id.*, at 906. As to the second group, a controversy was lacking because the infringement read did not rely upon supplier documentation for “key claim limitations” and there were no other allegations supporting inducement or contributory infringement assertions against the supplier. *Id.* (“They cite exclusively

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<sup>3</sup> As in *DataTern*, Applied also does not alleged that it has indemnity obligations to Intel or Samsung. Even if it did, the *DataTern* court made clear that in such instances, the supplier “must indemnify **where a suit against these very same customers on all the same issues was already underway** in a Texas court.” *DataTern*, 755 F.3d at 904.

1 to third-party ... documentation for several key claim limitations ...."). The fact that the supplier  
 2 had not established indemnity obligations also weighed against a finding of jurisdiction. *Id.* at 904.

3 Demaray patent claims require using "a pulsed DC power supply coupled to the target" and  
 4 "an RF bias power supply coupled to the substrate." *See, e.g.*, Ex. 1, claim 1. The claims also,  
 5 importantly, require "a narrow band-rejection filter that rejects at a frequency of the RF bias power  
 6 supply coupled between the pulsed DC power supply and the target area," which can prevent  
 7 damaging feedback that can occur at the DC power source. *Id.*, claim 1. In the Texas cases,  
 8 Demaray has not alleged that Applied uses this configuration to deposit thin films or cited to  
 9 Applied documentation for this claim limitation. *See* Dkt. 13, Ex. A, ¶¶ 39-40, 57, Ex. B, ¶¶ 42-  
 10 43, 59. As in *DataTern*, there is no allegation that Applied supplies the "necessary components"  
 11 for infringement, *e.g.*, reactors configured with, for example, a narrow band-rejection filter.  
 12 *Applied*, at 906. To the contrary, Applied contends that its Endura PVD reactors "**do not** comprise  
 13 'providing pulsed DC power to the target through a narrow band rejection filter ....' FAC, ¶¶ 47,  
 14 52. Similarly to *DataTern*, Demaray also has not alleged that Applied induces infringement or that  
 15 the Applied reactors have no non-infringing use. *Datatern*, at 906 ("our review of the record does  
 16 not uncover any evidence that Microsoft's ADO.NET is not suitable for substantial noninfringing  
 17 uses ...."); *see also Proofpoint, Inc. v. InNova Patent Licensing*, No. 5:11-cv-02288-LHK, 2011  
 18 WL 4915847, at \*1 (N.D. Cal. Oct. 17, 2011) (no declaratory judgment jurisdiction where, even  
 19 though claims against customer identified supplier's product, there was no "reasonable  
 20 apprehension" of a suit for indirect infringement against the supplier).

21 Because Applied has not alleged facts sufficient to show a live case or controversy  
 22 between Applied and Demaray, the motion should be denied for lack of subject matter jurisdiction.

### 23 **B. Applied Has Not Proven Entitlement To The Extraordinary Remedy It Seeks**

24 Even if there was subject matter jurisdiction (there is not), Applied has not established that it  
 25 is entitled to the extraordinary remedy it requests: an injunction halting both of Demaray's earlier-  
 26 filed cases against Intel and Samsung, which are proceeding before Judge Albright in the Western  
 27 District of Texas. "It is well-established that a preliminary injunction is an extraordinary remedy  
 28 'not to be routinely granted' and reserved only for those cases where it is clearly warranted." *Open*

1 *Text*, *S.A. v. Box, Inc.*, 36 F. Supp. 3d 885, 891 (N.D. Cal. 2014) (J. Davila) (quoting *High Tech*  
 2 *Med. Instrumentation Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1554 (Fed. Cir. 1995)). The  
 3 injunction Applied seeks raises important additional comity concerns given the well-established  
 4 precedent that federal district courts generally “avoid[] interference with the process of each other.”  
 5 *See, e.g., Kline v. Burke Constr. Co.*, 260 U.S. 226, 229 (1922). “While district courts do have the  
 6 power to enjoin litigation in other districts, such injunctions ‘will rarely be granted.’” *Axis*  
 7 *Reinsurance Co. v. Northrop Grumman Corp.*, No. 2:17-cv-08660-AB (JCx), 2018 U.S. Dist.  
 8 LEXIS 222622, at \*67 (C.D. Cal. June 21, 2018) (denying request to enjoin litigation in another  
 9 district under first-to-file rule) (quoting *Del Mar Avionics v. Quinton Instruments Co.*, 645 F.2d  
 10 832, 836 (9th Cir. 1981)). Neither (1) Applied’s licensing/ownership declaratory judgment claims  
 11 or (2) its non-infringement declaratory judgment claim in this case make it one of the “rare cases”  
 12 warranting such an extraordinary remedy.

13 Despite seeking to enjoin another Article III court, Applied proclaims “the circumstances in  
 14 this case present no comity concerns.” Mot. at 18. The comity concerns are in fact quite significant.  
 15 “When an injunction sought in one federal proceeding would interfere with another federal  
 16 proceeding, considerations of comity require *more than the usual measure of restraint*, and such  
 17 injunctions should be granted *only in the most unusual cases*.” *Axis*, 2018 U.S. Dist. LEXIS  
 18 222622 at \*6-7; *see also Del Mar*, 645 F.2d at 836 (same). The Federal Circuit has not endorsed  
 19 enjoining related actions in other courts except under very limited circumstances, *e.g.*, in cases in  
 20 which the issue between the cases overlap such that “resolution of *the major issues*” would result  
 21 from allowing just one case to proceed. *See Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed.  
 22 Cir. 1990). As discussed below, there are major issues at issue in the Texas cases not at issue here.

23 The requested injunction is all the more unwarranted given that Applied has a readily  
 24 available alternative that avoids these comity concerns. Applied could simply move to intervene in  
 25 the Texas cases. Applied’s own case law demonstrates that this is the more typical approach. *See*  
 26 Mot. 18-20 (citing *Amazon.com, Inc. v. Corydoras Techs., LLC*, No. 1:19-cv-1095-RP, 2020 U.S.  
 27 Dist. LEXIS 57969 (W.D. Tex. Apr. 2, 2020) (“*[T]he typical application* of the *customer-suit*  
 28 exception *does not involve such an injunction*, but rather ‘courts apply[ing] the *customer suit*

1 exception to *stay* earlier-filed litigation against a customer while a later filed case involving the  
 2 manufacturer proceeds in another forum.”); Mot. at 9 (citing *Spread Spectrum Screening LLC v.*  
 3 *Eastman Kodak Co.*, 657 F.3d 1349, 1360 (Fed. Cir. 2011) (“the district court stayed its *own* case  
 4 and ***did not affirmatively prohibit litigation in any other court*** ....”); Mot. at 3, 8, 14, 16, 17 (citing  
 5 *Pacesetter Sys. Inc. v. Medtronic, Inc.*, 678 F.2d 93, 96 (9th Cir. 1982) (affirming dismissal under  
 6 first-to-file rule by court ***where action pending***)).

7 In its motion, Applied argues that each of the cases cited above “supports enjoining  
 8 patentee.” Mot. at 3, 9, 18-20. They do not. *Pacesetter* addressed dismissal of a declaratory  
 9 judgment claim, not enjoining case proceeding in another court. 678 F.2d at 96. *Spread Spectrum*  
 10 addressed a stay granted on an action pending before the granting court and specifically noted that it  
 11 was not addressing a fact pattern involving an injunction request: “S3 did not seek a preliminary  
 12 injunction.” 657 F.3d at 1359. While *Amazon.com* involved an injunction request regarding an  
 13 earlier-filed case, the *Amazon.com* court ***denied*** the “motion to enjoin Defendant Corydoras ...  
 14 from litigating certain patent claims in a customer suit in the Eastern District of Texas.” 2020 U.S.  
 15 Dist. LEXIS 57969, at \*1. In doing so, the Court specifically called out that “[t]he dilemma of  
 16 which court should order the cessation of litigation in the other ***raises significant issues of comity***  
 17 ***and procedural fairness.***”<sup>4</sup> *Id.*, at \*10. Applied argues “the [*Amazon*] court was presented with  
 18 nearly identical circumstances” to this matter. Mot. at 18. As in *Amazon*, Applied’s injunction  
 19 request raises significant issues of comity and procedural fairness that support denial of the request.

### 20 C. Applied Applies The Wrong Legal Standard In Requesting An Extraordinary 21 Remedy Based Upon Unfounded Licensing/Ownership Claims

22 Applied does not apply the correct legal standard for a preliminary injunction when  
 23 addressing its licensing/ownership claims. “Under Federal Circuit law, the court considers whether  
 24 the plaintiff seeking a preliminary injunction can establish that: (1) he is likely to succeed on the

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25 <sup>4</sup> While the court in the first-filed case at issue in *Amazon* had issued an order a denying a  
 26 request for a stay at the time of the decision by the court in the second-filed case regarding an  
 27 injunction risking directly contrary orders (*id.* at \*11), the general concerns regarding comity  
 28 expressed by the court in addressing the injunction request still apply to the facts at issue here.

merits; (2) he is likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tips in his favor; and (4) that an injunction is in the public interest.” *Open Text*, 36 F. Supp. at 891 (citing *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)). “These traditional four factors ‘apply with equal force to disputes arising under the Patent Act.’” *Id.* (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006)). In making the evaluation, “[t]he first factor under *Winter* is the most important ....” *Alfarah v. City of Soledad*, No. 5:15-cv-05569-EJD, 2016 U.S. Dist. LEXIS 82624, at \*11 (N.D. Cal. June 24, 2016) (J. Davila). Applied fails to show that any of the *Winter* factors favor its motion.

Applied argues under the Federal Circuit’s *Katz* decision that it need only put forth an affirmative defense (*e.g.*, its ownership/licensing defenses), no matter how tenuous or baseless, that is potentially dispositive of the infringement issues in the first-filed suit to warrant enjoining cases in another Article III court. *See* Mot. at 10-11 (“If Applied prevails on the ownership or licensing issues ....”). That is not the law. Applied cites no case, and there is none, holding that objectively baseless defenses such as Applied’s licensing/ownership arguments warrant the extraordinary remedy of enjoining an earlier-filed litigation in another Article III court.

#### **D. Applied Bases Its Request Upon On Contract Provisions Already Adjudicated In This District To Be Unlawful**

Applied makes conclusory assertions that its ownership/licensing defenses are “likely dispositive of this action and the customer suits.” Mot. at 10. Notably absent from its motion, however, is any mention that Judge Ware already unequivocally ruled that the contract provisions on which Applied bases its ownership/licensing defenses are “unlawful non-compete provisions” and void as a matter of public policy under California Business & Professions Code § 16600. *See Applied*, 630 F. Supp. at 1089. In *Applied*, Judge Ware ruled that the *exact same assignment provision* on which Applied now relies violated Section 16600 making such provisions void: “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” *Id.*, at 1089. The employment agreement provision required assignment to Applied of “*any invention ... described in a patent application ... within one (1) year after terminating*” and that “*it is to be presumed* that the invention was conceived or made during

the period of [] employment for APPLIED...as provided by this agreement, provided it relates to [] work with APPLIED or any of its subsidiaries.” *Id.*, at 1088.

Judge Ware held that “the Assignment Clause is overly broad with respect to both subject matter and temporal scope.” *Id.*, at 1090-1091. First, it was “not limited to inventions that are based on [the former employer’s] confidential information... Rather, the Assignment Clause broadly targets any inventions ‘relate[d] to’ former employees’ ‘work.’” *Id.*, at 1090. Second, the Assignment Clause was “deficient in that it [was] not limited to inventions conceived by former Applied employees while employed at Applied.” *Id.* The clause was thus void under Section 16600. *Id.*, at 1091. Despite this prior ruling in a case to which Applied itself was a party, Applied asks this Court to grant it an extraordinary equitable remedy *without out even mentioning Judge Ware’s opinion holding the exact same provision on which it now relies is unlawful*.

Applied first asserts ownership over the Demaray patents based upon an assignment obligation in an alleged Applied employment agreement for one of the named inventors on the Demaray patents, Mr. Narasimhan. *See* Mot. at 5-7, 10, 18. The provision on which Applied relies is *exactly the same* as the provision Judge Ware ruled unlawful in *Applied*. *See* Dkt. 13 (FAC), ¶ 25; *Applied* at 1088. Second, Applied makes similar assertions based upon alleged assignment obligations from Applied Komatsu employment agreements for the other named inventors. Mot. at 5. These assignment provisions are even more egregious in that they lack even the 1-year post-termination timing limitation (*see* FAC, ¶ 24 (text of provision)) that Judge Ware found to be overly burdensome in *Applied*. The unlawful assignment provision from *Applied* and the two provisions on which Applied now relies are reproduced below:

Assignment Provision Held Unlawful By Judge Ware	Applied Provision (FAC, ¶ 25)	Applied Komatsu Provision (FAC, ¶ 24)
In case any invention is described in a patent application or is disclosed to third parties by me within one (1) year after terminating my employment with APPLIED, it is to be presumed that the invention was conceived or made during the period of my employment for APPLIED, and the invention will be assigned to APPLIED as	In case any invention is described in a patent application or is disclosed to third parties by me within one (1) year after terminating my employment with APPLIED, it is to be presumed that the invention was conceived or made during the period of my employment for APPLIED, and the invention will be assigned to APPLIED as	In case any invention is described in a patent application or is disclosed to third parties by me after terminating my employment with [Applied Komatsu], it is to be presumed that the invention was conceived or made during the period of my employment for

1 provided by this Agreement, 2 provided it relates to my work 3 with APPLIED or any of its 4 subsidiaries.	provided by this Agreement, provided it relates to my work with APPLIED or any of its subsidiaries.	[Applied Komatsu], and the invention will be assigned to [Applied Komatsu] as provided by this Agreement, provided it relates to my work with [Applied Komatsu] or any of its subsidiaries.
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6 As can be seen, there is no substantive difference between the current Applied provisions and the  
7 provision ruled unlawful by Judge Ware that would save the provisions here. Third, Applied  
8 premises a license declaratory judgment claim on the same unlawful assignment obligations: “the  
9 amendment to the Sales and Relationship Agreement converted the assignment obligations under  
10 the former Applied Komatsu employees’ employment agreements into a license ....” Mot. at 6, 10;  
11 *see also* FAC, ¶ 53-64. Applied’s unlawful contract provisions cannot support its ownership and  
12 licenses claims, much less justify the extraordinary remedy Applied seeks based on those claims.

13 Applied also fails to submit evidence supposedly underlying its licensing and ownership  
14 declaratory judgment claims. Even at the preliminary injunction stage, the Court considers evidence  
15 in light of the burdens that will apply at trial. *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d  
16 1372, 1376 (Fed. Cir. 2009). For issues on which the defendant will bear the burden of proof at  
17 trial, that burden also applies at the preliminary injunction stage. *Id.* Applied, for instance, has not  
18 submitted any of the Applied or Applied Komatsu employment agreements on which it relies,  
19 leaving Demaray and the Court to speculate on the actual content thereof. Indeed, in its FAC,  
20 Applied merely asserts that such agreements exist “[o]n information and belief.” FAC, ¶ 23.  
21 Similarly, Applied’s license defense is premised on a clause in the Symmorphix and Applied  
22 Komatsu Sales and Relationship Agreement beginning “[t]o the extent required by existing  
23 **[Applied Komatsu] Employee Agreements with any Symmorphix personnel**, Symmorphix grants  
24 to [Applied Komatsu] a non-assignable, non-transferable, non-exclusive, perpetual, royalty-free  
25 license....” Mot. at 6; FAC, ¶ 19. Pointing to unlawful provisions within agreements Applied fails  
26 to provide could not possibly justify the relief Applied seeks.

27 Given that Applied’s licensing/ownership claims are based upon unlawful assignment  
28 provisions, Applied has not even stated a valid claim under Federal Rule of Civil Procedure

12(b)(6), let alone proven a substantial likelihood of success warranting a preliminary injunction. *See Power Integrations, Inc. v. De Lara*, No. 20-cv-410-MMA (MSB), 2020 U.S. Dist. LEXIS 52724, at \*38-39 (S.D. Cal. Mar. 26, 2020) (“The nonsolicitation and noncompetition clauses are unenforceable under § 16600 and overly broad. Plaintiff cannot state a plausible claim based on Defendants’ alleged breach of those clauses ....”).<sup>5</sup> And Applied is estopped from re-litigating this issue, given the rulings in the *Applied* case. *Wenke v. Forest Labs., Inc.*, No. 5:14-cv-01898-EJD, 2018 U.S. Dist. LEXIS 68176, at \*6 (N.D. Cal. Apr. 23, 2018) (J. Davila) (“In general, collateral estoppel precludes a party from relitigating issues litigated and decided in a prior proceeding.”).

The other *Winter* factors also favor denial of Applied’s motion. First, there is no irreparable harm (Factor 2) by allowing the Texas actions proceed. Intel and Samsung are both large companies with sophisticated counsel; the Texas actions are before Judge Albright, who is quite capable; and Applied has many other options including motions to intervene in those actions if it wants to be involved. While Applied points to cost issues and party resources (Mot. at 3, 12), Applied has not offered evidence that it is even required to indemnify Intel and Samsung. In short, Applied has not shown that it would be irreparably harmed if the Texas cases proceed.

Regarding the balance of equities (Factor 3), Applied seeks an extraordinary remedy raising comity concerns based on unlawful contract provisions and arguments on which it is estopped. *See, e.g.*, Mot. at 5-6. Applied also has the less drastic option of seeking to intervene in the Texas cases. This factor also favors denial of Applied’s injunction request.

Regarding the public interest (Factor 4), the orderly administration of justice also favors allowing the Texas actions to proceed. “[J]udicial comity’s ‘underlying policy of judicial administration...counsels against the creation of conflicts,’ particularly where they would work ‘a grave disservice to the public interest in the orderly administration of justice.’” *Nat’l Union Fire Ins. Co. v. Payless Shoesource, Inc.*, No. C-11-1892 EMC, 2012 U.S. Dist. LEXIS 112346, at \*24 (N.D. Cal. Aug. 9, 2012) (denying motion to enjoin first-filed case). It is undisputed that Demaray filed the Texas actions first. *See* Mot. at 3. Under the first-filed rule, the Texas actions thus have

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<sup>5</sup> Demaray expects that, when the time for pleading motions arrives, it will challenge the sufficiency of Applied’s ownership and licensing claims under Rule 12(b)(6).

1 priority that “should not be disregarded lightly.” *Proofpoint, Inc. v. InNova Patent Licensing, LLC*,  
 2 No. 5:11-CV-02288-LHK, 2011 U.S. Dist. LEXIS 120343, at \*18 (N.D. Cal. Oct. 17, 2011) (“the  
 3 first-filed rule...should not be disregarded lightly.”). The public has a strong interest in the orderly  
 4 administration of justice, including the general principles that (1) federal district courts generally  
 5 “avoid[] interference with the process of each other” (*Kline*, 260 U.S. at 229) and (2) that first-filed  
 6 cases generally take priority. *See Tegic Communs. Corp. v. Bd. of Regents*, 458 F.3d 1335, 1343  
 7 (Fed. Cir. 2006) (in the context of separate suits involving manufacturer and customer, “the general  
 8 rule that favors the forum of the first-filed action”). This factor thus also favors denial of Applied’s  
 9 injunction request.

10 Applied argues that the Texas actions are somehow “not the ‘first-filed’ action because  
 11 [they] ... do not involve the ‘same parties’ as this action.” Mot at 15. In evaluating first-to-file  
 12 issues, courts consider “(1) the chronology of the two actions; (2) the similarity of the parties; and  
 13 (3) the similarity of the issues.” *Proofpoint*, 2011 U.S. Dist. LEXIS 120343, at \*18 (addressing  
 14 first-to-file rule in granting dismissal of a second-filed declaratory judgment action); *see also*  
 15 *Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 625 (9th Cir. 1991) (articulating standard);  
 16 *Futurewei Techs., Inc. v. Acacia Research Corp*, 737 F.3d 704, 706 (Fed. Cir. 2013) (consider  
 17 whether the parties are “substantially similar”). Regarding the first factor, Applied concedes that  
 18 Demaray filed the Texas actions first. *See* Mot. at 3. Regarding the second factor, “exact identity [of  
 19 parties] is not required to satisfy the first-to-file rule.” *Intersearch Worldwide, Ltd. v. Intersearch*  
 20 *Group, Inc.*, 544 F. Supp. 2d 949, 959 (N.D. Cal. 2008); *Proofpoint*, at \*19; *see also Cisco Sys. v.*  
 21 *TiVo, Inc.*, No. C 12-02766 RS, 2012 U.S. Dist. LEXIS 112923, at \*16 (N.D. Cal. Aug. 10, 2012)  
 22 (“[t]he simplistic approach urged by Cisco, which essentially calls for comparing the parties listed  
 23 on the dockets in the relevant actions and the dates each was filed, is of little assistance”);  
 24 *Pacesetter*, 678 F.2d at 95 (“not a rigid or inflexible rule”). Moreover, Applied premises its motion  
 25 on the argument that the same issues will arise against it as manufacturer and Intel/Samsung as  
 26 customers. *See, e.g.*, Mot. at 16. Indeed, the “customer suit **exception**” on which Applied relies is an  
 27 exception predicated on application of the first-to-file rule in cases where customer suits are  
 28 brought first and a manufacturer suit is brought second. Mot. at 16 (citing *Spread Spectrum*

1 *Screening*, 657 F.3d at 1357); *Tegic*, 458 F.3d at 1343 (in the context of separate suits involving  
 2 manufacturer and customer, “the general rule that favors the forum of the first-filed action”).  
 3 Regarding the third factor, Applied again argues that the cases involve “substantially identical  
 4 issues.” Mot. at 13. Thus, Applied’s own arguments support the first-filed rule applying.

#### 5 **E. The Customer Suit Exception Does Not Warrant Enjoining The Texas Actions**

6 Applied’s secondary basis for its injunction request is the erroneous assertion that its non-  
 7 infringement declaratory judgment claims will be dispositive of all “the major issues” in dispute in  
 8 Texas because the Intel and Samsung suits are mere “customer suits.” *See* Mot. at 4-5. The  
 9 customer suit exception allows, “in certain patent cases,” litigation brought by the manufacturer of  
 10 infringing goods to take precedence over a suit by the patent owner against customers of the  
 11 manufacturer. *Spread Spectrum*, 657 F.3d at 1357 (quoting *Katz*, 909 F.2d at 1464). When  
 12 assessing if a case is one of those “certain patent cases,” courts consider whether: (1) the consumers  
 13 in the first-filed action are mere resellers of products manufactured by the party in the second-filed  
 14 action; (2) the consumers in the first-filed action have agreed to be bound by any decision in the  
 15 second-filed action, and; (3) the manufacturers in the second-filed action are the only source of the  
 16 allegedly infringing activity or product.<sup>6</sup> *Tegic*, 458 F.3d at 1343. Every single one of these factors  
 17 weighs against Applied’s requested injunction.

#### 18 **1. Intel And Samsung Are Not Mere Resellers Of Applied Reactors**

19 Regarding the first factor, the issue in the Texas cases is Intel’s and Samsung’s use of the  
 20 particular patented methods of thin film deposition, and PVD reactors with the particular  
 21 configuration for those methods. The cases are not limited to reactors provided by Applied. Even if  
 22 it were, Intel and Samsung are plainly not mere resellers of Applied’s PVD reactors. Applied does  
 23 not remotely suggest otherwise. To the contrary, it is undisputed that, as set forth in the Texas

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24 <sup>6</sup> Applied does not use the framework from *Tegic*, but instead relies on a simplified test  
 25 presented in *Spread Spectrum*— that “the manufacturer’s case ... have the potential to resolve the  
 26 ‘major issues’ concerning the claims against the customer ....” Mot. at 9 (citing *Spread Spectrum*,  
 27 657 F.3d at 1358 and *Katz*, 909 F.2d at 1464). The *Spread Spectrum* court cited to *Tegic* endorsing  
 28 the reasoning therein. *Spread Spectrum*, 657 F.3d at 1357 (quoting *Tegic*, 458 F.3d at 1343).

complaints, both Intel and Samsung “*configur[e], or caus[e] to be configured, the Intel RMS reactors*” and then use those reactors themselves, as configured, to perform the processes that they choose to run in the course of manufacturing semiconductor devices. *See, e.g.*, Dkt. 13, Ex. A, ¶¶ 33-35, 39-40 (same), Ex. B, ¶¶ 36-38 (same for Samsung), 42-43 (same). Applied does not argue, much less present any evidence showing, that it is responsible for the infringing configuration of any of the Intel and Samsung PVD reactors purchased from Applied, let alone any such PVD reactors that Intel and Samsung purchase from other companies. This factor thus weighs squarely against application of the customer suit exception. *Tegic*, 458 F.3d at 1343 (that “the cellular-phone companies in the Texas action are not ‘mere resellers’ of products manufactured by Tegic” weighed against proceeding with declaratory judgment action); *Am. Acad. of Sci. v. Novell, Inc.*, No. C-91-4300 EFL, 1992 U.S. Dist. LEXIS 20145, at \*7 (N.D. Cal. July 9, 1992) (“where a patentee has a separate interest in litigating against the customer, the ‘real party in interest’ rationale for giving priority to the manufacturer’s lawsuit is inapplicable.”).

Applied argues “the same products [are] at issue in the customer suits.” Mot at 11. While Applied cites the Texas complaints when making this assertion (Mot. at 4), it omits the language “*Intel configures RMS reactors*” and “*Samsung configures RMS reactors*” from the quote it presents to the Court. *Compare* Mot. at 4 with Dkt. 13, Ex. A at ¶¶ 25–31, Ex. B at ¶¶ 28-34. Further, as discussed below, the Texas suits are expressly not limited to reactors from Applied. Mischaracterizations of the factual record are not a basis for an extraordinary remedy.

## 2. Intel’s And Samsung’s Supposed Agreement To Be Bound Would Leave Major Open Issues Unresolved

Regarding the second factor, Applied suggests that Intel and Samsung have agreed to be bound by determinations regarding Applied’s non-infringement declaratory judgment claim in Applied’s FAC. Mot. at 11. But Applied’s declaratory judgment claim applies only to “Applied’s reactors.” FAC, ¶ 47 (“Applied seeks a judgment declaring that *Applied’s reactors*, including those in the Endura product line, do not directly or indirectly infringe ....”), ¶ 52 (same). As discussed above, the infringement allegations in the Texas actions revolve around specific thin film deposition processes and configurations of reactors related thereto, and they are explicitly

1 “***not limited***” to reactors provided by Applied. *See* Dkt. 13, Ex. A, ¶¶ 33-35, 39-40, Ex. B, ¶¶ 36-  
 2 38, 42-43. An infringement/non-infringement determination regarding reactors as supplied by  
 3 Applied, even if binding, would not necessarily address the specific reactor configurations used by  
 4 Intel and Samsung. Indeed, even as to just the Applied Endura PVD reactors, Applied asserts that  
 5 they “do not comprise ‘providing pulsed DC power to the target through a narrow band rejection  
 6 filter such that the target alternates between positive and negative voltages’ and/or ‘providing an  
 7 RF bias at a frequency that corresponds to the narrow band rejection filter to the substrate.” FAC,  
 8 ¶ 52. Applied presents no argument or evidence that it is responsible for the accused configuration  
 9 of the Intel and Samsung PVD reactors before or after purchase from Applied.

10 In addition, Applied has not submitted any alleged Intel/Samsung agreements to be bound to  
 11 Demaray or the Court, so again the parties and the Court are left to speculate on the actual content  
 12 thereof. Notably, however, Applied is also silent on whether Intel and Samsung agree to be bound  
 13 by any validity or enforceability decisions made in this case, or whether those decisions would be  
 14 on the same validity and enforceability issues to be addressed by the Texas court; indeed, Applied  
 15 has not raised any validity or enforceability arguments at all in this case. This is another reason why  
 16 Applied’s assertions about supposed agreements to be bound are unavailing.

17 Applied cites *Katz* and *Sillage LLC v. Kenrose Perfumes Inc.*, No. 8:14-cv-02043-  
 18 CAS(RNBx), 2015 U.S. Dist. LEXIS 75965, at \*16 (C.D. Cal. June 9, 2015) for the proposition  
 19 that “such an agreement [to be bound is] highly relevant to the propriety of granting a stay in patent  
 20 cases involving defendants in different levels of commerce.” In *Katz*, the court held that “major  
 21 issues before that court, including patent infringement, patent validity, and Mr. Katz’ capacity to  
 22 sue, will resolve these issues as to their customers.” 909 F.2d at 1464. As discussed above, the  
 23 present action is quite different in that (among other things) Applied does not allege that Intel and  
 24 Samsung have agreed to be bound regarding specially configured reactors and the use of such  
 25 reactors or on validity or enforceability issues. Moreover, *Sillage* involved a simple “purchasing  
 26 and reselling” arrangement and thus the court found it “hard to imagine a situation in which  
 27 litigation against the distributor would not resolve [the issues].” 2015 U.S. Dist. LEXIS 75965, at  
 28 \*18. Intel and Samsung are not mere resellers of Applied reactors; indeed, they are not resellers at

1 all. These cases do not to support Applied.

2                   **3. Applied Does Not Allege Or Show That It Is The Only Intel And**  
 3                   **Samsung PVD Reactor Supplier**

4           For the third factor, Applied acknowledges that in the Intel and Samsung suits “Demaray  
 5 appears to suggest there may be infringing reactors made by manufacturers other than Applied ....”  
 6 Mot. at 4, n. 1. That is an understatement. Demaray’s complaints against Intel and Samsung are  
 7 explicit that Applied reactors are a mere example of reactors that Intel and Samsung can use in an  
 8 infringing manner: “[a]s an example, on information and belief, Intel configures RMS reactors,  
 9 *including, but not limited to* reactors in the Endura product line from Applied Materials, Inc. ....”  
 10 *See, e.g.*, Dkt. 13, Ex. A, ¶ 25. The fact that the Texas actions are not limited to Applied PVD  
 11 reactors weighs heavily against staying the Texas actions. *Tegic*, 458 F.3d at 1343 (“Tegic is not the  
 12 only source of the software used in the phones alleged to infringe -- the Texas action involves other  
 13 software vendors ....”); *Proofpoint*, 2011 U.S. Dist. LEXIS 120343, at \*19-22 n.5 (“resolving  
 14 Proofpoint’s declaratory judgment claims would not ‘resolve all charges’ against the customers in  
 15 the Texas Action because Proofpoint is not the only supplier of allegedly infringing technology.”);  
 16 *Microchip Tech., Inc. v. United Module Corp.*, No. CV-10-04241-LHK, 2011 U.S. Dist. LEXIS  
 17 73276, at \*17 (N.D. Cal. July 7, 2011) (“DJ Plaintiffs do not suggest that SST is the only  
 18 manufacturer of the relevant technology. Thus, resolution of this action would not ‘resolve all  
 19 charges against customers’ in the first-filed action.”).

20           Applied attempts to downplay this significant problem for its requested injunction by  
 21 arguing “Demaray did not identify any other manufacturer or otherwise confirm that any other  
 22 manufacturer exists.” Mot. at 4, n.1. But of course Demaray had no obligation to prove its entire  
 23 case in its complaints, which are explicitly “not limited to” reactors from Applied. *See, e.g.*, Dkt.  
 24 13, Ex. A, ¶ 25. Applied is coordinating its actions with Intel and Samsung. Mot. at 12, n. 3. If all  
 25 Intel and Samsung PVD reactors were supplied by Applied, Applied could easily have said so.  
 26 Applied has made no such assertion, let alone provided evidence that would support such a claim.

27           Public sources confirm that there are many other suppliers of PVD reactors to the  
 28 semiconductor industry. *See, e.g.*, Exs. 8-9 (Angstrom Engineering PVD platform with optional

power sources and substrate biasing); Exs. 10-11 (ULVAC system “specifically designed for the 300mm Semiconductor market,” including optional pulsed DC power supplies and substrate biasing); Exs. 12-13 (Denton Vacuum PVD platform that accommodates pulsed DC and RF sputtering). Applied admits that it has competition in the PVD market. Ex. 14 (“... we outperformed the market in both semiconductor equipment and services last year. Our performance in deposition technology was especially strong with our PVD business gaining 7 points of share.”). Market analysts confirm as much: “[k]ey [PVD] companies...include Applied Materials, Inc....Intevac, Inc., Advanced Energy Industries, Inc., Kurt J. Lesker Company, AJA International, Inc., Angstrom Engineering, Inc., CHA Industries, Inc., Denton Vacuum LLC, and PVD Products, Inc.” Ex. 15. Because the Intel and Samsung cases are not limited to Applied reactors, the third factor also weighs against applying the customer suit exception.

#### 4. Major Issues Present In Texas Are Lacking From The Present Case

When considering customer suit arguments, courts look at whether the alleged manufacturer’s case will resolve “*the major issues* concerning the claims against the customer.”<sup>7</sup> *Spread Spectrum*, 657 F.3d at 1358 (citing *Katz*, 909 F.2d at 1464). This analysis also weighs against Applied’s requested injunction, as the Texas actions involve a numerous significant issues that will not be resolved by Applied’s claims. For example, the Texas action involves direct infringement allegations against Intel and Samsung of method claims in the ’657 patent. Dkt. 13, Ex. A, ¶¶ 48-67, Ex. B, ¶¶ 54-69. Courts generally decline to apply the customer-suit exception where, as here, the customer is accused of directly infringing method claims. *See, e.g., Am. Acad. Of Sci.*, 1992 U.S. Dist. LEXIS 20145, at \*2 (declining to apply the customer-suit exception “[where the] patent owner seeks to hold the manufacturer liable solely on a theory of inducement/contributory infringement, claiming direct infringement only against the customer”); *see also Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 2:15-CV-1202-WCB, 2016 U.S.

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<sup>7</sup> Applied argues that this action “need not resolve all issues presented in the [Texas cases]” (Mot. at 9) and “[t]o the extent there are lingering questions to be resolved in the customer suits, Demaray can resume the customer suits” later (*id.*, at 12). That is not the law. To warrant delaying the first-filed case, “the major issues” must be resolved.

1 Dist. LEXIS 55205, at \*9 (E.D. Tex. Apr. 26, 2016) (collecting cases).<sup>8</sup> In addition, not at issue in  
 2 this case is how Intel and Samsung configure the Applied reactors. Even if Applied succeeded with  
 3 its non-infringement claim for its reactors, the question would remain whether Intel and Samsung  
 4 configure and/or use the reactors in an infringing manner. If Applied fails in its non-infringement  
 5 claims, the question of infringement by Intel and Samsung using other reactors and damages based  
 6 on the value of the inventions to Intel and Samsung, not Applied, would remain.

7 Similarly, the Texas actions against Intel and Samsung involve invalidity and  
 8 unenforceability issues not at issue in this matter. Ex. 16 (Intel Answer), ¶¶ 76. 85. Applied has not  
 9 sought a declaratory judgment claim for invalidity or unenforceability. *See* FAC. While Applied  
 10 asserts that Intel and Samsung “agree to be bound by the result in this action regarding the  
 11 declaratory judgment causes of action asserted in Applied’s FAC” (Mot. at 11), Applied says  
 12 nothing regarding validity or enforceability challenges that have been raised in the Texas cases.  
 13 Courts have refused to apply the customer suit exception on this basis. *See Vantage Point Tech.,*  
 14 *Inc. v. Amazon.com, Inc.*, No. 2:13-cv-909, 2015 U.S. Dist. LEXIS 675, at \*3-5 (E.D. Tex. Jan. 6,  
 15 2015) (declining to stay case where customers did not disclaim their right to challenge invalidity);  
 16 *Corydoras Techs., LLC v. Best Buy Co.*, No. 2:19-cv-00304-JRG-RSP, 2020 U.S. Dist. LEXIS  
 17 45578, at \*10 (E.D. Tex. Mar. 16, 2020) (“Given that invalidity is not addressed in that case,  
 18 Amazon’s declaratory judgment action is even less likely to resolve major issues in the case.”);  
 19 *Telebrands Corp. v. Nat’l Exp., Inc.*, No. 12-6671, 2014 U.S. Dist. LEXIS 140279, at \*5 (D.N.J.  
 20 Oct. 2, 2014) (finding it more efficient to proceed with first-filed case where question of patent  
 21 validity raised in earlier suit); *Ultra Prods., Inc. v. Best Buy Co.*, No. 09-1095, 2009 U.S. Dist.  
 22 LEXIS 78678, at \*5 (D.N.J. Sept. 1, 2009) (same); *RegenLab USA LLC v. Estar Techs. Ltd.*, No.

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23 <sup>8</sup> Some courts have held that this is not a hard rule if the infringement is not “predicated  
 24 upon the specific implementations of [the]...technology.” *See Berkeley\*IEOR v. Teradata*  
 25 *Operations, Inc.*, No. 17 C 7472, 2019 U.S. Dist. LEXIS 36563, \*19-20 (N.D. Ill. March 7, 2019).  
 26 But, the Intel and Samsung complaints make clear that the products reactors have specific  
 27 configurations involving pulsed DC power supplies and associated filters—*i.e.*, a specific  
 28 implementation of the technology. Dkt. 13, Ex. A, ¶¶ 56-57, Ex. B, ¶¶ 58-59.

1 16-cv-08771 (ALC), 2017 U.S. Dist. LEXIS 131495, at \*8-9, n. 3 (S.D.N.Y. Aug. 17, 2017) (late  
2 addition of invalidity claims to manufacturer suit weighed against injunction).

### 3 **5. Applied Again Applies The Wrong Legal Standard**

4 Applied misapplies the applicable standard for an injunction based upon customer suit  
5 rationales to argue that its non-infringement allegations alone warrant enjoining the Texas actions.  
6 Mot. at 9 (“a finding of non-infringement as to Applied’s products would be dispositive of the  
7 majority—if not all—of the infringement issues in the customer suits ....”). First, as discussed  
8 above, Applied’s FAC is directed at Applied reactors, not reactors as configured by the Texas  
9 defendants. FAC, ¶¶ 47, 52. Second, Applied presents a fragment from the Federal Circuit’s *Katz*  
10 decision in isolation (Mot. at 9 quoting *Katz*, 909 F.2d at 1463 (“the disposition of one case would be  
11 dispositive of the other”)), omitting context making clear that *Katz* did not fundamentally alter the  
12 law as Applied argues. To the contrary, consistent with longstanding precedent, *Katz* court endorsed  
13 a stay where “resolution of the major issues” would be resolved in the alleged manufacturer suit.  
14 *Katz*, 909 F.2d at 1464; *see also Spread Spectrum*, 657 F.3d at 1358 (overlap in the “major issues”  
15 is the focus of the analysis). Applied also cites a series of Federal Circuit writs of mandamus  
16 ordering district courts to stay customer suits. Mot. at 8. But, in each of those cases, the Federal  
17 Circuit similarly determined that the later-filed case would resolve the major issues in the alleged  
18 customer suit. *See, e.g., In re Google Inc.*, 588 F. App’x 988, 991 (Fed. Cir. 2014) (“the ‘major  
19 premises’” were being litigated in the other actions); *In re Nintendo of Am., Inc.*, 756 F.3d 1363,  
20 1366 (Fed. Cir. 2014) (“the issues of infringement and validity are common” to the actions). Such  
21 facts are not present here.

22 Other decisions underscore why Applied’s sentence fragment from *Katz* cannot be taken out  
23 of context as overturning settled law, and that requests for injunctive relief still need to be evaluated  
24 using traditional principles. In *eBay*, for instance, the Supreme Court reversed the Federal Circuit  
25 based on a similar rule holding that familiar equitable principles “apply with equal force to disputes  
26 arising under the Patent Act” and “major departure[s] from the long tradition of equity practice  
27 should not be lightly implied.” *eBay*, 547 U.S. at 391.<sup>9</sup> This reasoning is applicable to alleged

28 <sup>9</sup> *See also, e.g., Finisar Corp. v. Cheetah Omni, LLC*, No. 11-cv-15625, 2012 U.S. Dist.

customer suits as well: “‘broad classifications’ and ‘categorical rule[s]’ have no place in [the injunction] inquiry. Instead, courts are to exercise their discretion in accordance with traditional principles of equity.” *See Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1148 (Fed. Cir. 2011). As with its licensing/ownership claims, because Applied fails to apply the traditional preliminary injunction factors (disregarding, for instance, its burden to prove likely success on the merits), its motion should be denied.

For example, Applied presents no evidence that its non-infringement declaratory judgment claim will be successful, resting instead on mere allegations in the FAC. *See* Mot. at 10-11. But then in its FAC, Applied asserts that its Endura PVD reactors “*do not comprise* ‘providing pulsed DC power to the target through a narrow band rejection filter such that the target alternates between positive and negative voltages’ and/or ‘providing an RF bias at a frequency that corresponds to the narrow band rejection filter to the substrate’” (FAC, ¶ 52)—multiple core features that subjected the Intel and Samsung reactor configurations to suit in Texas. Applied fails to meaningfully address whether, much less offer evidence proving, that reactors *as configured and used by Intel and Samsung* do not infringe Demaray’s patents. Indeed, Applied offers virtually no evidence at all regarding how either its own reactors, or those of Intel and Samsung (whether supplied by Applied or another manufacturer), relate to the claimed inventions. *See Titan Tire*, 566 F.3d at 1376 (even at the preliminary injunction stage, the Court considers evidence in light of the burdens that will apply at trial). Further, as discussed above in Section III.D, the other preliminary injunction factors weigh against enjoining the Texas actions.

#### F. Convenience Factors Do Not Favor One Forum Over The Other

Applied’s request that the Court delve into motion to transfer convenience factors in evaluating its preliminary injunction request is improper. Neither the traditional factors for a preliminary injunction (*Open Text*, 36 F. Supp. at 891) or an alternative test evaluating overlap of “the major issues” under *Katz/Spread Spectrum* include such an analysis. The only injunction-related precedent that Applied cites in support of its position is a 1977 case from the 1st Circuit, *LEXIS 198501*, \*3 (E.D. Mich. Nov. 19, 2012) (if *Katz* purported to establish an alternative standard for preliminary injunctions, *Katz* was overruled by the Supreme Court in *eBay*).

1 *Codex Corp. v. Milgo Electronic Corp.*, 553 F.2d 735, 737 (1st Cir. 1977). Obviously, that case is  
 2 not binding on this Court. Moreover, *Codex* evaluated convenience factors in evaluating venue, not  
 3 in evaluating an alleged customer suit exception. *Id.* Another case on which Applied relies,  
 4 *Pacesetter*, is more informative. See Mot. at 17 (citing *Pacesetter*, 678 F.2d at 96). In denying the  
 5 appeal of a dismissal of declaratory judgment claims, the appellant tried to raise convenience  
 6 factors. *Pacesetter*, 678 F.2d at 96. The *Pacesetter* court rejected those efforts, stating: “normally  
 7 the *forum non conveniens* argument should be addressed to the court in the first-filed action.  
 8 Apprehension that the first court would fail to appropriately consider the convenience of the parties  
 9 and the witnesses should not be a matter for our consideration.” *Id.* If convenience factors need to  
 10 be evaluated, Intel and Samsung can raise those issues in the Texas cases.

11 Applied’s claim that the convenience issue is cut and dry (Mot. at 18) is not only irrelevant  
 12 to this motion, but incorrect. Briefly, for instance, Samsung’s only domestic fab is located in  
 13 Austin, Texas. Ex. 4. Intel likewise has an “Austin facility is a research and development center for  
 14 more than 1,700 employees.” Ex. 5. Indeed, Applied itself has two facilities for manufacturing and  
 15 research in Austin, Texas employing over 1,800 people. Exs. 6-7. In contrast, Applied points to “a  
 16 large U.S. office in Northern California” for Samsung, but that facility houses “SSIC’s automotive,  
 17 digital health, data center, and IoT innovation projects.” Dkt. 13, Ex. J. It is not clear that those  
 18 activities have any relation to the PVD-based semiconductor manufacturing issues raised in the  
 19 Texas suits.

20 Applied also argues that there may be some overlap in “potential pleadings motions, fact  
 21 discovery, claim construction, expert reports, expert discovery, dispositive motions, and trial”  
 22 between the three actions. Mot. at 18. Again, that is legally irrelevant here, and in any event there  
 23 are numerous ways for the parties and the Court to agree on methods of streamlining these cases.  
 24 Judge Albright is capable of managing his docket to avoid unnecessary duplication of effort. If Intel  
 25 or Samsung want to raise Applied’s baseless ownership/licensing defenses, they can attempt that in  
 26 Texas or Applied could seek to intervene.

27 Because Applied has taken the position that the infringement issues to be addressed in the  
 28 Texas cases will resolve the infringement issues here (*see, e.g.*, Mot. at 11), Applied can agree to be

bound by any infringement decisions there or this Court can decline subject matter jurisdiction regarding Applied's third-filed non-infringement declaratory judgment claims. As discussed above, under the "first-to-file rule," the Court can stay or dismiss an action when a similar complaint has already been filed in another district to "serve[] the purpose of promoting efficiency" and comity with other districts. *Alltrade*, 946 F.2d at 625; *Pacesetter*, 678 F.2d at 95; *Church of Scientology v. United States Dep't of the Army*, 611 F.2d 738, 750 (9th Cir. 1979) (comity was foundation for first-to-file rule, permitting one district to decline judgment on an issue which is properly before another district). Moreover, even where facts supporting jurisdiction exist, the Declaratory Judgment Act is permissive, not mandatory. *Proofpoint*, 2011 WL 4915847, at \*6-7 ("Even if the Court were to find that declaratory jurisdiction might be proper, it would nevertheless be prudent to decline jurisdiction given the pendent Texas Action ... Although the first-filed rule is not clearly applicable here because Proofpoint is not a party to the Texas Action, [] the focus on judicial efficiency that underlies both the first-filed rule and the transfer analysis plainly supports the Court's decision to decline jurisdiction.").

Having this Court exercise jurisdiction over the matter and allowing it to proceed would in fact be the *least efficient* approach to resolving the actual disputes, as it would guarantee overlapping proceedings on infringement issues. *See Amazon*, 2015 WL 3486494, at \*8 ("the Virginia court will already have to commit significant resources to learning the relevant technology in this case" and "allowing this case to continue in California will only duplicate the workload of the courts ... and risk conflicting decision by sister courts"). Thus, consideration of the public interests and judicial economy provide a compelling basis to decline jurisdiction even if the Court were to find that a case or controversy exists. Declining jurisdiction would allow the first-filed Texas cases to proceed and alleviate any perceived concerns regarding the potential for conflicting rulings.

#### IV. CONCLUSION

Applied's suit is without subject matter jurisdiction. Moreover, Applied has come nowhere near establishing that an injunction halting earlier-filed cases in another district court is "clearly warranted." The "extraordinary remedy" Applied seeks should be denied.

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Dated: September 25, 2020

Respectfully submitted,  
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